

**PUBLIC DISCLOSURE**

SEPTEMBER 6, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NEBCO CREDIT UNION**

**125 PARKER HILL AVENUE  
BOSTON, MA 02121**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NEBCO Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Two geographical criteria were not considered as the institution defines membership by affiliation rather than location.

The credit union's average net loan to deposit ratio of 29.8 percent afforded the institution a satisfactory rating, taking into account the credit union's resources.

The credit union's performance in lending to borrowers of different incomes was determined to exceed the standards for satisfactory performance based on the high percentage (72.0%) of loans granted to low and moderate-income members.

The credit union's fair lending activity was found to be satisfactory.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

New England Baptist Credit Organization (NEBCO) Credit Union is a state chartered credit union, which was founded in 1976. The credit union is sponsored by the New England Baptist Hospital. The credit union's only office is located in the hospital's Administration-Human Resource Building at 125 Parker Hill Avenue, Boston, MA. Hours of operation are Monday and Friday, 9:00 a.m. to 3:00 p.m.; and Tuesday and Wednesday, 7:30 a.m. to 4:00 p.m. These hours are considered convenient and accessible to the membership of 910 individuals. The credit union has no Automated Teller Machines (ATMs) and ATM cards are not available.

As of June 30, 2001, the credit union had assets of \$3.87 million dollars. Of these assets, \$1.02 million dollars or approximately 26.4 percent was invested in loans. NEBCO Credit Union offers unsecured personal loans as well as new and used auto loans. The credit union does not originate residential mortgage loans.

Personal loans have a maximum loan amount of \$10,000 and a maximum interest rate of 10.0 percent. New auto loans have a maximum loan amount of \$25,000 with a maximum term of 5 years and a maximum interest rate of 7.25 percent. Used Auto Loans are made for a maximum loan amount of \$15,000 and a maximum term of 4 years at 7.9 percent. Currently, 45.8 percent of all loans are personal unsecured loans, while 54.2 percent represent auto loans.

The criteria for the various types of credit offered was reviewed during the examination, as were the procedures for completing a loan application, and no practices intended to discourage applications were found.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of October 13, 1998. That examination resulted in a CRA rating of Satisfactory.

### **Description of Assessment Area**

According to the Massachusetts Community Reinvestment Act regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area. Accordingly, NEBCO has defined its membership as its assessment area.

Membership in the NEBCO Credit union is limited to employees, family members, former employees, and retirees of the New England Baptist Hospital and its associated and affiliated organization personnel.

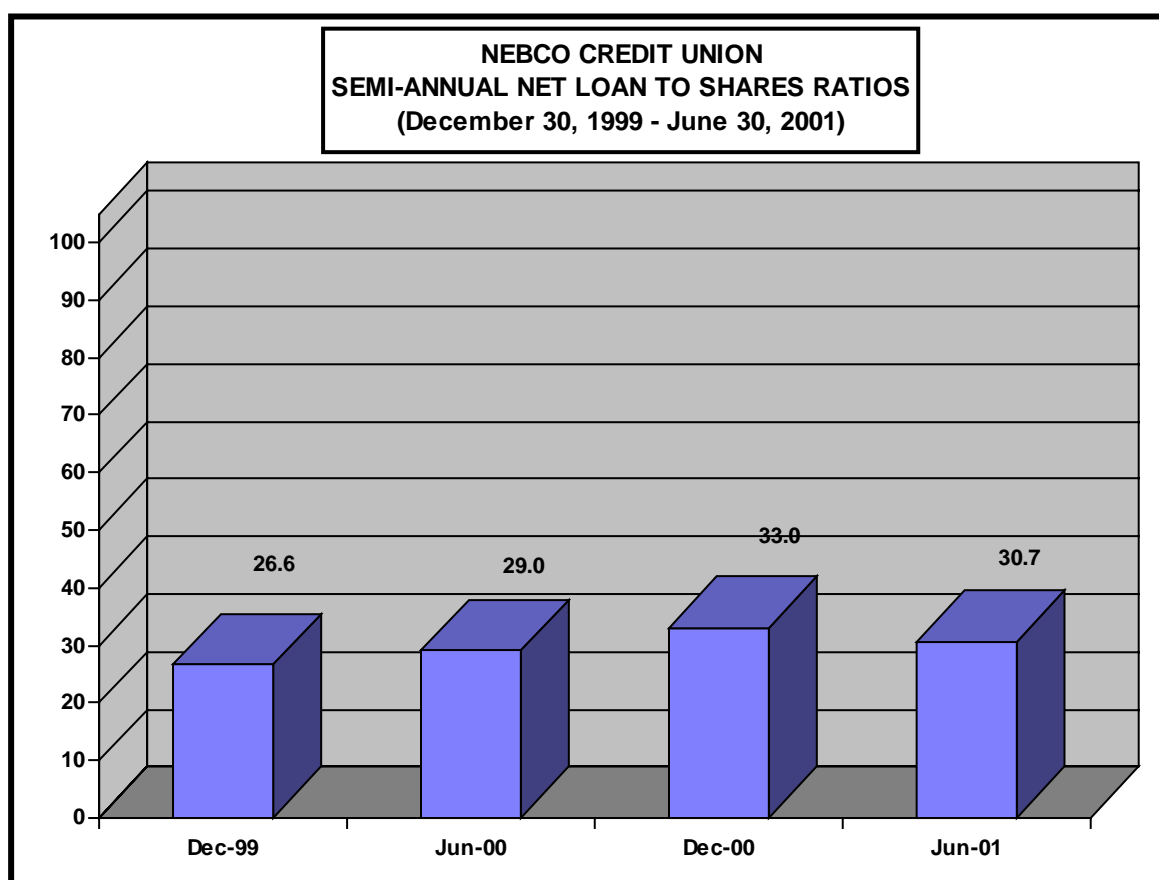
Geographically, the location of the credit union places it within the Boston Metropolitan Statistical Area (MSA).

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of NEBCO Credit Union's average net loan-to-share ratio for the period of December 30, 1999, through June 30, 2001, was conducted during this examination. Using the credit union's semi-annual 5300 Reports, the average net loan-to-share ratio for this period was determined to be 29.8%. This ratio is based on loans net of the allowance for loan and lease losses as a percentage of total deposits.

The following graph illustrates the loan to share trends.



As the above graph indicates, the credit union has displayed a relatively stable, if low loan to share ratio ranging from a low of 26.6 percent to a high of 33.0 percent over the period examined. In evaluating the relatively low loan-to-share ratios for the current exam period, the credit union's small size and New England Baptist Hospital's employment

situation was considered. Discussions with management suggest several factors have led to the low loan-to-share ratio. First, a decreasing number of employees as a result of personnel consolidation has resulted in a reduced number of borrowers. Additionally, the current economic climate and competition from locally- based and larger financial institutions has also contributed to the low ratio.

Based on the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the net loan-to-share ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

The second performance criterion examines an institution's record of lending within its assessment area. As mentioned above, NEBCO Credit Union has elected to identify its membership as its assessment area, in accordance with the Massachusetts CRA regulation, 209 CMR 46.41. Therefore, no evaluation of a geographic-based performance factor was considered.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which NEBCO Credit Union lends to members of different income levels within its assessment area. The following analysis of borrower income distribution for consumer loans granted in 1999, 2000 and 2001 demonstrates that the credit union's lending exceeds the standards for satisfactory performance.

NEBCO Credit Union extended 267 consumer loans from 1999 through September 6, 2001. The originations include personal and automobile loans. A sample of 75 consumer loans was reviewed to determine the distribution of credit based on the income levels of the borrowers. The loans were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000 and 2001 median family incomes of the Boston Metropolitan Statistical Area (MSA), which are \$62,700, \$65,500 and \$70,000 respectively. These income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The analysis of the credit union's distribution of lending indicates that 34.7 percent of the number of loans within the sample were made to low-income borrowers and 37.3 percent were made to moderate-income borrowers.

<b>CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER BY NUMBER</b>								
% MSA Median Income	1999		2000		YTD 2001		TOTAL	
	#	%	#	%	#	%	#	%
<50%	8	32.0	8	32.0	10	40.0	26	34.7
50 –79%	12	48.0	10	40.0	6	24.0	28	37.3
80-119%	3	12.0	7	28.0	7	28.0	17	22.7
120%>	2	8.0	0	0.0	2	8.0	4	5.3
<b>TOTAL</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>75</b>	<b>100%</b>

Source: In-house Files 1999, 2000 and Year-to Date (YTD) September 6, 2001.

By dollar amount, 21.8 percent of the loans were originated to low-income borrowers and 43.9 percent were to moderate-income borrowers.

<b>CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER BY DOLLAR AMOUNT</b>								
% MSA Median Income	1999		2000		YTD 2001		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	30	22.6	22	11.7	64	30.6	116	21.8
50 –79%	83	62.4	80	42.6	70	33.2	233	43.9
80-119%	12	9.0	86	45.7	46	21.9	144	27.1
120%>	8	6.0	0	0.0	30	14.3	38	7.2
<b>TOTAL</b>	<b>133</b>	<b>100%</b>	<b>188</b>	<b>100%</b>	<b>210</b>	<b>100%</b>	<b>531</b>	<b>100%</b>

Source: In-house Files 1999, 2000 and Year-to Date (YTD) September 6, 2001.

It should be noted that the majority of the consumer loans were granted to individual applicants. However the incomes of the borrowers are compared to median family incomes, which has the effect of somewhat skewing the distribution towards low and moderate-income categories.

However, overall, the distribution of credit among members reflects an excellent penetration among borrowers of different income levels, including those of low and moderate income. Therefore, the credit union is found to exceed the standards for satisfactory performance in this category.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned above, a review of geographic performance factors was not conducted as the credit defines its assessment area as its membership, which is based on affiliation and not geography.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **REVIEW OF COMPLAINTS**

NEBCO Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

##### **FAIR LENDING POLICIES AND PRACTICES**

The credit union has adopted a formal Fair Lending Policy as part of its Lending Policy. The policy encompasses the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

##### **STAFF TRAINING**

The Credit Union Manager has received various training through attendance at several lending seminars sponsored by the Massachusetts Credit Union League. Training included all aspects of fair lending and equal credit opportunity. The Credit Union Manager has also attended other trade-group sponsored training.

##### **STAFF COMPOSITION AND COMPENSATION**

As of the date of examination, NEBCO Credit Union's staff consists of 2 full-time employees.

Loans are underwritten by the Manager and the Credit Committee. Employees are paid on a salary basis.

## **OUTREACH**

The credit union sponsored a survey to ascertain what the members felt were additional needs. A substantial number of members responded and the results have been discussed during Board meetings. Due to the survey responses, the credit union is considering offering first-time homebuyer seminars, financial planning seminars and is also considering offering a home equity loan product. Management and board members have been responsible for ongoing contact with New England Baptist Hospital employees in an effort to continuously assess and meet the credit needs of its membership.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

The credit union does not offer any specific products which feature flexible underwriting criteria. However, the credit committee does consider other factors, such as credit union payment and account history, in their review of loan applications.

## **MARKETING**

The credit union maintains an active and inclusive marketing program in order to insure that its members and potential members are aware of the types of credit and deposit accounts currently available. Marketing activity includes maintaining a continuing section in the New England Baptist Hospital's quarterly newsletter "F.Y.I.", periodic interoffice mailings and statement stuffers.

The credit union distributes a credit union information package "NEBCO Member Information" to all newly hired employees and interested potential members.

## **CREDIT EDUCATION**

The credit union has not sponsored or participated in any credit education seminars.

## **COUNSELING**

The credit union refers members in need of credit assistance to appropriate consumer credit counseling services. Management of the credit union provides general information regarding credit management in an informal format.

## **SECOND REVIEW PRACTICES**

In order to ensure that policies and procedures are not discriminatory, as well as for quality control purposes, the Credit Committee reviews all loans recommended for approval and denial.



**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**NEBCO CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 6, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.